

**Agency Proposed Budget**

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	135.99	0.00	2.00	137.99	0.00	2.00	137.99	137.99
Personal Services	5,555,013	701,375	73,579	6,329,967	725,619	73,656	6,354,288	12,684,255
Operating Expenses	2,437,756	446,555	321,848	3,206,159	418,389	166,048	3,022,193	6,228,352
Equipment	107,513	201,712	10,000	319,225	120,712	0	228,225	547,450
<b>Total Costs</b>	<b>\$8,100,282</b>	<b>\$1,349,642</b>	<b>\$405,427</b>	<b>\$9,855,351</b>	<b>\$1,264,720</b>	<b>\$239,704</b>	<b>\$9,604,706</b>	<b>\$19,460,057</b>
General Fund	572,665	85,088	523,569	1,181,322	88,096	371,438	1,032,199	2,213,521
State/Other Special	6,068,235	1,187,894	(144,077)	7,112,052	1,098,954	(155,537)	7,011,652	14,123,704
Federal Special	1,459,382	76,660	25,935	1,561,977	77,670	23,803	1,560,855	3,122,832
<b>Total Funds</b>	<b>\$8,100,282</b>	<b>\$1,349,642</b>	<b>\$405,427</b>	<b>\$9,855,351</b>	<b>\$1,264,720</b>	<b>\$239,704</b>	<b>\$9,604,706</b>	<b>\$19,460,057</b>

**Agency Description**

The Department of Livestock is responsible for controlling and eradicating animal diseases, preventing the transmission of animal diseases to humans, protecting the livestock industry from theft and predatory animals, meat, milk and egg inspection and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer; the Livestock Crimestoppers' Commission; the Milk Control Board; and the Board of Horse Racing. The department is organized into five divisions: Animal Health, Centralized Services, Brand-Enforcement, Diagnostic Laboratory, and Meat, Milk, and Egg Inspection. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

**Agency Highlights**

Department of Livestock Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The executive budget would increase \$3.3 million, or 20 percent, in the 2009 biennium from double the FY 2006 base</li> <li>◆ Statewide present law adjustments account for \$1.8 million of the biennial increase</li> <li>◆ New proposals add \$0.6 million               <ul style="list-style-type: none"> <li>• Provide a one-time-only general fund appropriation to the Board of Horse Racing -- \$350,000 for the biennium</li> <li>• Substitute additional general fund for lab fee revenue at the diagnostic lab -- \$412,698 for the biennium</li> </ul> </li> <li>◆ Other present law adjustments add \$835,000 for the biennium</li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>◆ Diagnostic lab revenues and operations need careful consideration and review</li> <li>◆ Executive budget replaces declining federal funds with state general fund</li> <li>◆ Executive budget assumes costs now borne by racetracks</li> </ul>	

## Agency Discussion

### *Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2007 biennium
- Goals and objectives and their correlation to the 2009 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

### *2007 Biennium New Initiative Update*

The 2005 Legislature passed SB 484 which provided for inspection and certification of mobile slaughtering facilities. Rules for inspection and certification were completed, however, no applications for facilities have yet to be filed.

## Funding

The following table summarizes funding for the agency, by program and source, as recommended by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Executive Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Centralized Services Program	\$ 350,000	\$ 3,915,905	\$ -	\$ 4,265,905	21.92%
03 Diagnostic Laboratory Program	600,000	2,621,745	-	3,221,745	16.56%
04 Animal Health Division	-	1,079,905	1,874,172	2,954,077	15.18%
05 Milk & Egg Program	-	591,219	65,708	656,927	3.38%
06 Brands Enforcement Division	-	5,901,980	-	5,901,980	30.33%
10 Meat/Poultry Inspection	1,263,521	12,950	1,182,952	2,459,423	12.64%
Grand Total	<u>\$ 2,213,521</u>	<u>\$ 14,123,704</u>	<u>\$ 3,122,832</u>	<u>\$ 19,460,057</u>	100.00%

The Department of Livestock is funded by general fund, state special revenue, and federal special revenue.

The Governor recommends a \$1.1 million, or 93% increase in general fund in the 2009 biennium. General fund supports three programs in the executive budget: 1) \$300,000 per year for the diagnostic lab in Bozeman; 2) Approximately \$630,000 per year for meat/poultry inspections; and 3) \$350,000 in the 2009 biennium for the Board of Horse Racing. The Governor recommends the Board of Horse Racing appropriation be a one-time-only appropriation. The diagnostic lab receives general fund for its role in testing for public health and safety related diseases. The U.S. Department of Agriculture Food Safety Inspection Service matching of general fund dollars for meat inspections is a 50-50 match of general fund and federal special revenue. The Board of Horse Racing general fund appropriation would be used to temporarily support the program during the 2009 biennium.

The executive budget increases state special revenue by \$2.0 million, or 16 percent in the 2009 biennium from double the FY 2006 base. State special revenue in the Department of Livestock is derived primarily from taxes and fees assessed to livestock producers. The three state special revenue funds that comprise over 90 percent of the state special revenues in the department are discussed below.

### *Livestock per capita fund*

The livestock per capita fund is the largest state special revenue fund and supports animal health functions, predator control, the centralized services division, and a portion of the brand enforcement division. Per capita revenue is derived by taxation on the ownership of livestock and interest earnings on the fund balance. The Board of Livestock annually evaluates a number of factors to determine if and how much the per capita tax rate should change. In FY 2006, department expenditures from this fund totaled \$2.8 million. In the 2009 biennium, the executive budget includes approximately \$3.3 million annually. (See the fund table in the Centralized Services Division narrative for more information on this fund.)

*Animal health fund*

The animal health fund derives its revenues from lab testing fees and milk and egg inspection fees. The diagnostic lab and the milk and egg inspection functions are supported by this fund. The department has had challenges balancing expenditure with revenues in this fund in recent years and has had to transfer funds from the livestock per capita fund to this fund at the end of FY 2005 and FY 2006 to cover expenses. The department is projecting increased lab testing fee revenue in the 2009 biennium. (See the agency issues section of this narrative for more discussion of the animal health fund.) In FY 2006, department expenditures from this fund totaled \$1.3 million. In the 2009 biennium, the executive budget includes approximately \$1.6 million annually.

*Inspection and control fund*

The inspection and control fund supports brand enforcement functions and derives its revenues from brand recordings and market and local inspections.

Federal special revenue comes from the bison operational cooperative agreement and the Greater Yellowstone Interagency Brucellosis Committee (GYIBC) grant for contracted research and from the U.S. Department of Agriculture in matching funds for meat and poultry inspections.

**Biennium Budget Comparison**

The following table compares the executive budget request in the 2009 biennium with the 2007 biennium by type of expenditure and source of funding. The 2007 biennium consists of actual FY 2006 expenditures and FY 2007 appropriations.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	Present Law Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Biennium Fiscal 06-07	Total Exec. Budget Fiscal 08-09
FTE	135.99	2.00	137.99	135.99	2.00	137.99	135.99	137.99
Personal Services	6,256,388	73,579	6,329,967	6,280,632	73,656	6,354,288	11,691,015	12,684,255
Operating Expenses	2,884,311	321,848	3,206,159	2,856,145	166,048	3,022,193	4,767,784	6,228,352
Equipment	309,225	10,000	319,225	228,225	0	228,225	254,576	547,450
Total Costs	\$9,449,924	\$405,427	\$9,855,351	\$9,365,002	\$239,704	\$9,604,706	\$16,713,375	\$19,460,057
General Fund	657,753	523,569	1,181,322	660,761	371,438	1,032,199	1,165,319	2,213,521
State/Other Special	7,256,129	(144,077)	7,112,052	7,167,189	(155,537)	7,011,652	12,561,145	14,123,704
Federal Special	1,536,042	25,935	1,561,977	1,537,052	23,803	1,560,855	2,986,911	3,122,832
Total Funds	\$9,449,924	\$405,427	\$9,855,351	\$9,365,002	\$239,704	\$9,604,706	\$16,713,375	\$19,460,057

**Supplemental Appropriations**

The executive recommends a \$97,534 general fund supplemental appropriation for the department to replace declining federal funds available for meat and poultry inspection. The funds would be used to continue conducting meat and poultry inspections in FY 2007.

**New Proposals**

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1009 - Meat Inspection Funding Shortfall										
10	0.00	41,286	0	0	41,286	0.00	41,286	0	0	41,286
DP 1010 - Meat Plant Inspector RST										
10	1.00	22,673	0	22,674	45,347	1.00	20,542	0	20,542	41,084
DP 1011 - FAIM Computer Maintenance Contract										
10	0.00	3,261	0	3,261	6,522	0.00	3,261	0	3,261	6,522
DP 1080 - Board of Horse Racing Support										
01	0.00	250,000	0	0	250,000	0.00	100,000	0	0	100,000
DP 3001 - Diagnostic Lab General Fund Increase										
03	0.00	206,349	(206,349)	0	0	0.00	206,349	(206,349)	0	0
DP 3008 - Diagnostic Lab PCR Technology OTO										
03	1.00	0	62,272	0	62,272	1.00	0	50,812	0	50,812
<b>Total</b>	<b>2.00</b>	<b>\$523,569</b>	<b>(\$144,077)</b>	<b>\$25,935</b>	<b>\$405,427</b>	<b>2.00</b>	<b>\$371,438</b>	<b>(\$155,537)</b>	<b>\$23,803</b>	<b>\$239,704</b>

**Agency Issues***Animal Health Fund*

The animal health fund derives its revenues from diagnostic lab fees and milk inspection fees. These revenues are used primarily to support the diagnostic lab and the milk & egg inspection program. The department has had challenges balancing expenditures with revenues in this fund in recent years and has had to transfer funds from the livestock per capita fund to this fund at the end of FY 2005 and FY 2006 to cover expenses. The department is projecting increased lab testing fee revenue in the 2009 biennium.

Figure 1 Historical and Projected Fund Analysis Animal Health Fund - Montana Department of Livestock Fiscal Years 2004 Through 2009						
Item	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimated	FY 2008 Exec Budget	FY 2009 Exec Budget
Beginning Fund Balance	\$94,499	(\$120,292)	\$101,494	\$57,744	\$335,114	\$351,883
Adjustment to Fund Balance		57,733				
<b>Revenue</b>						
Fees, Licenses, Taxes	1,005,247	987,851	1,037,863	1,649,690	1,649,690	1,649,690
Transfers	4,500	545,000	403,665	0	0	0
Other	14,007	9,077	12,243	23,200	23,200	23,200
Total Revenue	<u>1,023,754</u>	<u>1,541,928</u>	<u>1,453,771</u>	<u>1,672,890</u>	<u>1,672,890</u>	<u>1,672,890</u>
<b>Expenditures by Program</b>						
Diagnostic Lab	977,789	1,114,196	1,219,370	1,082,473	1,341,510	1,280,235
Animal Health	14,931	0	5,305	15,970	0	0
Milk & Egg	239,350	257,204	266,371	289,966	308,136	283,083
Meat & Poultry Inspection	6,475	6,475	6,475	7,111	6,475	6,475
Total Expenditures	<u>1,238,545</u>	<u>1,377,875</u>	<u>1,497,521</u>	<u>1,395,520</u>	<u>1,656,121</u>	<u>1,569,793</u>
Ending Fund Balance	<u>(\$120,292)</u>	<u>\$101,494</u>	<u>\$57,744</u>	<u>\$335,114</u>	<u>\$351,883</u>	<u>\$454,980</u>

As calculated from the figure, the department is projecting an approximate 59 percent increase in total fee revenue between FY 2006 and each year of the 2009 biennium. Most of this increase is related to a department-projected 70 percent lab fee revenue increase, which implies either lab fee rates would increase or service demand would increase, or both. The executive budget does include a new proposal to add general fund to the diagnostic laboratory budget (DP 3001). However, the 70 percent lab fee revenue increase assumes the general fund request is approved. If it is not

approved, and the executive budget request for expenditures is approved, the either the calculated revenue increase would be 100 percent, or the fund balance would be reduced. The executive budget does not address the feasibility of this kind of fee increase in its proposal, nor does it address the estimated impact upon demand for services with the projected fee increase.

The Board of Livestock reviews lab fee rates annually, along with estimated expenditures from the animal health fund. The department has noted that the board normally considers three options when addressing fee increases:

- 1) Whether to increase rates, or
- 2) Reduce services, or
- 3) Infuse the program with funds from other sources such as the livestock per capita fee, as it did for FY 2005 and FY 2006.

**LFD  
COMMENT**

The executive did not budget support from the livestock per capita fee for the diagnostic lab in the 2009 biennium. At the time of this writing, the department was not prepared to provide a definite answer to which of the above three options it would likely decide upon for the 2009 biennium. The legislature may wish to address the question of whether additional general fund support for the diagnostic lab is appropriate, or if one of the three options normally considered by the department should be pursued.

**Program Proposed Budget**

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	19.78	0.00	0.00	19.78	0.00	0.00	19.78	19.78
Personal Services	827,608	137,609	0	965,217	140,193	0	967,801	1,933,018
Operating Expenses	677,208	329,478	250,000	1,256,686	298,993	100,000	1,076,201	2,332,887
<b>Total Costs</b>	<b>\$1,504,816</b>	<b>\$467,087</b>	<b>\$250,000</b>	<b>\$2,221,903</b>	<b>\$439,186</b>	<b>\$100,000</b>	<b>\$2,044,002</b>	<b>\$4,265,905</b>
General Fund	0	0	250,000	250,000	0	100,000	100,000	350,000
State/Other Special	1,504,816	467,087	0	1,971,903	439,186	0	1,944,002	3,915,905
Federal Special	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$1,504,816</b>	<b>\$467,087</b>	<b>\$250,000</b>	<b>\$2,221,903</b>	<b>\$439,186</b>	<b>\$100,000</b>	<b>\$2,044,002</b>	<b>\$4,265,905</b>

**Program Description**

The Centralized Services Division is responsible for budgeting, accounting, payroll, personnel, legal services, purchasing, administrative, information technology, and general services functions for the department. The Predator Control Program is administered by the Board of Livestock and the executive officer. Although the board placed the predator function in this division during the 2003 biennium, all functions remain unchanged, including the two aircraft and the contract with U.S. Department of Agriculture Wildlife Services. Through helicopter hunting and contracts, predators that kill or injure domestic livestock, primarily coyotes, are controlled.

This division also provides administrative support to the three administratively attached organizations: The Livestock Crimestoppers' Commission, the Milk Control Board, and the Board of Horse Racing.

**Program Highlights**

Centralized Services Division Major Budget Highlights	
♦	The biennial budget would increase 41 percent if the executive proposals were adopted
♦	The executive adds \$350,000 general fund for a one-time-only appropriation to the Board of Horse Racing
♦	The executive restores funding for fixed costs that were paid with carry forward funds in FY 2006 - \$197,000
♦	Other statewide present law adjustments add \$472,000
♦	The executive increases funding for the predator control program - \$155,350
Major LFD Issues	
♦	The executive proposes that the general fund assume costs at horseracing tracks currently borne by the racetracks

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table						
Centralized Services Pro						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ -	-	\$ 250,000	11.3%	\$ 100,000	4.9%
01100 General Fund	-	-	250,000	11.3%	100,000	4.9%
02000 Total State Special Funds	1,504,816	100.0%	1,971,903	88.7%	1,944,002	95.1%
02029 Board Of Horse Racing	158,067	10.5%	187,520	8.4%	188,042	9.2%
02426 Lvstk Per Capita	1,140,955	75.8%	1,544,674	69.5%	1,514,741	74.1%
02817 Milk Control Bureau	205,794	13.7%	239,709	10.8%	241,219	11.8%
Grand Total	<u>1,504,816</u>	<u>100.0%</u>	<u>2,221,903</u>	<u>100.0%</u>	<u>2,044,002</u>	<u>100.0%</u>

The division is funded from the livestock per capita fund, the milk control bureau fund, and the board of horse racing fund. The livestock per capita fund, an annual tax on livestock headcount, funds all activities of the division, except for the administratively attached boards. The division collects indirect cost reimbursements on federal and state special revenues expended in other divisions; these reimbursements are deposited to the livestock per capita fund. The milk control bureau and the board of horse racing are funded from fees assessed to the respective industries.

The executive budget includes \$350,000 general fund in the 2009 biennium for a one-time-only appropriation for the Board of Horse Racing.

The historical and projected fund balance for the livestock per capita fund is shown in the table below. The projected revenue and expenditures in the table are from the proposed executive budget.

Figure 2						
Historical and Projected Fund Analysis						
Livestock Per Capita Tax - Montana Department of Livestock						
Fiscal Years 2004 Through 2009						
Item	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimated	FY 2008 Exec Budget	FY 2009 Exec Budget
Beginning Fund Balance	\$93,662	\$1,156,507	\$1,621,590	\$1,295,057	\$1,659,178	\$2,005,576
Adjustment to Fund Balance	(57)		(816,767)			
<u>Revenue</u>						
Fees, Licenses, Taxes	3,214,859	3,216,395	3,450,779	3,594,000	3,594,000	3,594,000
Transfers	0	0	262,497	0	0	0
Other	5,791	32,378	70,281	50,000	50,000	50,000
Total Revenue	<u>3,220,650</u>	<u>3,248,773</u>	<u>3,783,557</u>	<u>3,644,000</u>	<u>3,644,000</u>	<u>3,644,000</u>
<u>Expenditures by Program</u>						
Centralized Services	1,095,783	1,521,438	1,646,025	1,340,218	1,544,674	1,514,741
Diagnostic Laboratory	198,342	178,851	290,708	234,624	0	0
Animal Health	260,301	396,041	249,556	629,598	525,364	554,541
Milk & Egg	0	19,347	0	0	0	0
Brands Enforcement	603,322	668,013	1,107,034	1,075,439	1,227,564	1,201,564
Total Expenditures	<u>2,157,748</u>	<u>2,783,690</u>	<u>3,293,323</u>	<u>3,279,879</u>	<u>3,297,602</u>	<u>3,270,846</u>
Ending Fund Balance	<u>\$1,156,507</u>	<u>\$1,621,590</u>	<u>\$1,295,057</u>	<u>\$1,659,178</u>	<u>\$2,005,576</u>	<u>\$2,378,730</u>

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				170,016					172,707	
Vacancy Savings				(39,907)					(40,014)	
Inflation/Deflation				1,795					2,161	
Fixed Costs				215,519					186,604	
<b>Total Statewide Present Law Adjustments</b>				<b>\$347,423</b>					<b>\$321,458</b>	
DP 1005 - Predator Control Authority Increase	0.00	0	77,675	0	77,675	0.00	0	77,675	0	77,675
DP 1006 - Department wide IT Equipment Replacement RST	0.00	0	6,763	0	6,763	0.00	0	4,683	0	4,683
DP 1007 - Board of Livestock - Per Diem	0.00	0	5,100	0	5,100	0.00	0	5,100	0	5,100
DP 1009 - Information Technology -Oracle Training	0.00	0	2,055	0	2,055	0.00	0	2,055	0	2,055
DP 1037 - Board of Milk Control - Legal Fees	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 1038 - Board of Milk Control - Per Diem	0.00	0	1,100	0	1,100	0.00	0	1,100	0	1,100
DP 1078 - Board of Horse Racing - Per Diem	0.00	0	1,300	0	1,300	0.00	0	1,300	0	1,300
DP 1079 - Board of Horse Racing - Rent	0.00	0	671	0	671	0.00	0	815	0	815
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$119,664</b>	<b>\$0</b>	<b>\$119,664</b>	<b>0.00</b>	<b>\$0</b>	<b>\$117,728</b>	<b>\$0</b>	<b>\$117,728</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$467,087</b>					<b>\$439,186</b>	

**LFD COMMENT**

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature and restoration of salaries and benefits for vacancy savings realized in FY 2006. Fixed costs increase significantly as most of the base year expenditures for rent and grounds maintenance were funded from carry forward funds that are not considered ongoing and are not included in the base year funding.

DP 1005 - Predator Control Authority Increase - The executive budget increases the predator control program \$155,350 in the 2009 biennium to increase the contract with USDA Wildlife Services for aerial hunting of predators. Base year expenditures for this program are \$244,500 and are funded from the livestock per capita fund.

DP 1006 - Department wide IT Equipment Replacement RST - The executive budget includes \$11,446 additional livestock per capita funds, as a restricted appropriation, to allow the purchase of replacement computer equipment in the department on a four year replacement cycle, to replace two computer servers via a lease with the state Department of Administration, and to purchase a replacement color laser printer.

DP 1007 - Board of Livestock - Per Diem - The executive budget restores the base year board per diem expenditures to allow the board to meet its statutory obligations to direct the department. Per diem expenditures are zero-based and must be restored each biennium. The executive budget recommends livestock per capita funds fund this present law adjustment.

DP 1009 - Information Technology -Oracle Training - The executive budget includes \$4,110 in the 2009 biennium for oracle training for two new information technology staff members. The executive budget recommends livestock per capita funds fund this present law adjustment.



DP 1037 - Board of Milk Control - Legal Fees - The executive budget recommends an additional \$50,000 milk control bureau assessment fees be included in the Board of Milk Control budget for legal fees anticipated in the 2009 biennium. The Board oversees producer pricing and performs other regulatory functions for the Montana milk industry and contracts with the Attorney General's Office for legal services.

DP 1038 - Board of Milk Control - Per Diem - The executive budget restores the base year board per diem expenditures to allow the board to meet its statutory obligations. Per diem expenditures are zero-based and must be restored each biennium. The executive budget funds this present law adjustment with milk control bureau assessment fees.

DP 1078 - Board of Horse Racing - Per Diem - The executive budget restores the base year board per diem expenditures to allow the board to meet its statutory obligations. Per diem expenditures are zero-based and must be restored each biennium. The executive budget funds this present law adjustment with board of horse racing state special revenues (licensing fees and one percent of wagers).

DP 1079 - Board of Horse Racing - Rent - The executive budget includes a rent increase for the Board of Horse Racing from \$11.64 per square foot in FY 2006 to \$12.107 in FY 2008 and \$12.349 in FY 2009. The rate increases by two percent a year as per agreement. The total increase for 597 total sq. ft. occupied is \$671 in FY 2008 and \$815 in FY 2009.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1080 - Board of Horse Racing Support										
01	0.00	250,000	0	0	250,000	0.00	100,000	0	0	100,000
Total	0.00	\$250,000	\$0	\$0	\$250,000	0.00	\$100,000	\$0	\$0	\$100,000

DP 1080 - Board of Horse Racing Support - The executive budget includes a \$350,000 general fund one-time-only appropriation in the 2009 biennium to support the Board of Horseracing. The funds would be used to assume certain costs currently borne by the race track. The executive proposes paying a portion of the regulatory costs, primarily salaries for race track officials, which have been paid in the past by those tracks putting on the event. The executive justifies the request by noting that the expenditure of the funds would enable the board to meet its statutory obligation to protect the integrity of the gambling aspects of horse racing for both patrons and participants.

**LFD ISSUE** Montana has a number of professional licensing and oversight boards located in the Department of Labor and Industry. These boards provide oversight in a number of professions, including but not limited to dentistry, nursing, psychologist, veterinary medicine, architects, plumbers, and public accountants. All of these boards are funded with license fees on appropriate professions.

One of the issues for the legislature is whether a state interest is present that would warrant support of the Board of Horseracing by the general taxpayer in the state. In the current biennium, the Board of Horseracing is funded by license fees and a percentage of the money wagered. Revenue collections have decreased from \$160,000 in FY 2002 to \$86,000 in FY 2006. If revenue collections are a reflection of the horse racing industry in general in Montana, the legislature may wish to evaluate the long-term need for a Board of Horseracing. However, if it is the legislature's intent that the Board of Horseracing continue, it may wish to direct the executive to report the findings of the Montana Horse Racing Task Force, established in April 2006 by Executive Order No. 33-2006 for the purpose of studying the horse racing industry in Montana and determining whether specific measures could be taken to revitalize the industry. The legislature may also wish to direct the executive to develop and present to the appropriate interim legislative committee a realistic, achievable long-term plan to meet its statutory goals and include realistic funding options that do not require state general fund.

**Program Proposed Budget**

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	20.50	0.00	1.00	21.50	0.00	1.00	21.50	21.50
Personal Services	952,645	65,643	40,772	1,059,060	69,415	40,812	1,062,872	2,121,932
Operating Expenses	476,411	29,539	11,500	517,450	30,952	10,000	517,363	1,034,813
Equipment	0	55,000	10,000	65,000	0	0	0	65,000
<b>Total Costs</b>	<b>\$1,429,056</b>	<b>\$150,182</b>	<b>\$62,272</b>	<b>\$1,641,510</b>	<b>\$100,367</b>	<b>\$50,812</b>	<b>\$1,580,235</b>	<b>\$3,221,745</b>
General Fund	93,651	0	206,349	300,000	0	206,349	300,000	600,000
State/Other Special	1,335,405	150,182	(144,077)	1,341,510	100,367	(155,537)	1,280,235	2,621,745
<b>Total Funds</b>	<b>\$1,429,056</b>	<b>\$150,182</b>	<b>\$62,272</b>	<b>\$1,641,510</b>	<b>\$100,367</b>	<b>\$50,812</b>	<b>\$1,580,235</b>	<b>\$3,221,745</b>

**Program Description**

The Diagnostic Laboratory provides livestock laboratory diagnostic support for the Disease Control Program, Milk and Egg program, and livestock producers. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners, veterinarians, the Department of Fish, Wildlife and Parks and other agencies in protecting the health of animals, wildlife and the public.

**Program Highlights**

Diagnostic Laboratory Major Budget Highlights	
♦	The executive proposes to increase general fund to the diagnostic lab \$206,349 each year of the 2009 biennium
Major LFD Issues	
♦	Diagnostic lab revenues and operations need careful consideration and review

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Diagnostic Laboratory Pr						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 93,651	6.6%	\$ 300,000	18.3%	\$ 300,000	19.0%
01100 General Fund	93,651	6.6%	300,000	18.3%	300,000	19.0%
02000 Total State Special Funds	1,335,405	93.4%	1,341,510	81.7%	1,280,235	81.0%
02426 Lvstk Per Capita	290,707	20.3%	-	-	-	-
02427 Animal Health	1,044,698	73.1%	1,341,510	81.7%	1,280,235	81.0%
	-	-	-	-	-	-
Grand Total	<u>\$1,429,056</u>	<u>100.0%</u>	<u>\$1,641,510</u>	<u>100.0%</u>	<u>\$1,580,235</u>	<u>100.0%</u>

In FY 2006, the diagnostic laboratory was funded from lab fees, state general fund, and a non-budgeted transfer from the livestock per capita fund. The executive budget proposes a general fund increase for the diagnostic laboratory, from approximately \$94,000 in FY 2006 to \$300,000 each year of the 2009 biennium (see New Proposals).

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				105,773						109,700
Vacancy Savings				(42,338)						(42,493)
Inflation/Deflation				8,228						8,644
Fixed Costs				5,086						5,086
<b>Total Statewide Present Law Adjustments</b>				<b>\$76,749</b>						<b>\$80,937</b>
DP 3007 - Diagnostic Lab Equipment										
0.00	0	63,902	0	63,902		0.00	0	8,902	0	8,902
DP 3009 - Lab Recharges										
0.00	0	7,323	0	7,323		0.00	0	8,320	0	8,320
DP 3010 - Lab Overtime										
0.00	0	2,208	0	2,208		0.00	0	2,208	0	2,208
<b>Total Other Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$73,433</b>	<b>\$0</b>	<b>\$73,433</b>		<b>0.00</b>	<b>\$0</b>	<b>\$19,430</b>	<b>\$0</b>	<b>\$19,430</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$150,182</b>						<b>\$100,367</b>

DP 3007 - Diagnostic Lab Equipment - The executive budget provides \$72,804 lab fee authority for numerous pieces of new and replacement diagnostic lab equipment in the 2009 biennium including an automated tissue stainer, a tissue processor, a blood centrifuge, a water bath, an emergency generator, two air conditioning units, a microscopic digital camera system, and a water purification system.

DP 3009 - Lab Recharges - The executive budget recommends sufficient budget authority be included to pay Montana State University-Bozeman for overhead expenses at the lab for facilities management services. These expenses are expected to increase \$7,343 above the base in FY 2008 and \$8,320 in FY 2009. The increased cost is funded with state special revenue (lab fees).

DP 3010 - Lab Overtime - The executive budget provides \$4,416 in the 2009 for anticipated overtime costs at the diagnostic laboratory. Overtime costs are zero-based and must be requested separately each biennium.

**New Proposals**

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3001 - Diagnostic Lab General Fund Increase										
03	0.00	206,349	(206,349)	0	0	0.00	206,349	(206,349)	0	0
DP 3008 - Diagnostic Lab PCR Technology OTO										
03	1.00	0	62,272	0	62,272	1.00	0	50,812	0	50,812
<b>Total</b>	<b>1.00</b>	<b>\$206,349</b>	<b>(\$144,077)</b>	<b>\$0</b>	<b>\$62,272</b>	<b>1.00</b>	<b>\$206,349</b>	<b>(\$155,537)</b>	<b>\$0</b>	<b>\$50,812</b>

DP 3001 - Diagnostic Lab General Fund Increase - The executive budget recommends the general fund support for the diagnostic laboratory at Bozeman increase from \$93,651 in FY 2006 to \$300,000 each year of the 2009 biennium to recognize the increased number of lab tests conducted for public health. Since this is a fund switch, state special revenue is reduced by a like amount.

**LFD  
COMMENT**

The executive is projecting diagnostic lab revenues to increase from \$703,593 in FY 2006 to \$1.2 million each year of the 2009 biennium through increased lab fees and increased business volume. The projected revenue represents a 70 percent increase from FY 2006 to FY 2008. The legislature may want to query the department as to the likelihood of achieving this revenue target and the department's plan for operating within actual revenue realized. For a further discussion, see the agency narrative section of this report.

DP 3008 - Diagnostic Lab PCR Technology OTO - The executive budget includes a \$113,084 budget increase in the 2009 biennium for a 1.0 FTE molecular technologist to devote full-time to the development and validation of molecular testing procedures using the lab's polymers chain reaction (PCR) technology. The recommended budget increase also includes allowances for increased lab test and other supplies and a refrigerated centrifuge. The Governor recommends this decision package as a one-time-only appropriation and funds it from diagnostic lab fees.

**Program Proposed Budget**

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	14.00	0.00	0.00	14.00	0.00	0.00	14.00	14.00
Personal Services	480,654	218,509	0	699,163	222,652	0	703,306	1,402,469
Operating Expenses	651,686	39,376	0	691,062	38,410	0	690,096	1,381,158
Equipment	72,225	0	0	72,225	26,000	0	98,225	170,450
<b>Total Costs</b>	<b>\$1,204,565</b>	<b>\$257,885</b>	<b>\$0</b>	<b>\$1,462,450</b>	<b>\$287,062</b>	<b>\$0</b>	<b>\$1,491,627</b>	<b>\$2,954,077</b>
State/Other Special	301,047	224,317	0	525,364	253,494	0	554,541	1,079,905
Federal Special	903,518	33,568	0	937,086	33,568	0	937,086	1,874,172
<b>Total Funds</b>	<b>\$1,204,565</b>	<b>\$257,885</b>	<b>\$0</b>	<b>\$1,462,450</b>	<b>\$287,062</b>	<b>\$0</b>	<b>\$1,491,627</b>	<b>\$2,954,077</b>

**Program Description**

The Animal Health Division provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and game farm animals. The program cooperates with the Departments of Public Health and Human Services, Fish, Wildlife and Parks, and Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets, and certain animal product processing facilities, such as rendering plants. The Rabies Control Unit protects public health from rabies by controlling the transmission of domestic animal and wildlife rabies, particularly through eradication of skunks.

**Program Highlights**

<b>Animal Health Program Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The executive continues the department's participation in the state-federal cooperative agreement for Brucellosis Management and the Greater Yellowstone Interagency Brucellosis Committee (GYIBC) and projects a funding increase in the 2009 biennium</li> <li>◆ Personal services increase as some base year salaries and benefits were paid from federal funds that were added via budget amendment</li> </ul>	
<b>Major LFD Issues</b>	
<ul style="list-style-type: none"> <li>◆ None</li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Animal Health Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 301,047	25.0%	\$ 525,364	35.9%	\$ 554,541	37.2%
02426 Lvstk Per Capita	295,741	24.6%	525,364	35.9%	554,541	37.2%
02427 Animal Health	5,306	0.4%	-	-	-	-
03000 Total Federal Special Funds	903,518	75.0%	937,086	64.1%	937,086	62.8%
03427 Bison Trap Funds	903,518	75.0%	937,086	64.1%	937,086	62.8%
Grand Total	<u>1,204,565</u>	<u>100.0%</u>	<u>1,462,450</u>	<u>100.0%</u>	<u>1,491,627</u>	<u>100.0%</u>

State special revenue, primarily the livestock per capita fund, supports disease control, import/export activities, and alternative livestock activities and is projected to increase 75 percent from FY 2006 to FY 2008. Federal funds support bison operations and Greater Yellowstone Interagency Brucellosis Committee (GYIBC) research and cooperative efforts.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				247,640					251,959
Vacancy Savings				(29,131)					(29,307)
Inflation/Deflation				912					995
<b>Total Statewide Present Law Adjustments</b>				<b>\$219,421</b>					<b>\$223,647</b>
DP 4003 - Animal Health Division Vehicle Replacement RST/OTO									
0.00	0	0	0	0	0.00	0	26,000	0	26,000
DP 4004 - Federal Funding - Bison									
0.00	0	0	31,564	31,564	0.00	0	0	30,815	30,815
DP 4005 - Out-of-State Travel									
0.00	0	6,600	0	6,600	0.00	0	6,600	0	6,600
<b>Total Other Present Law Adjustments</b>									
<b>0.00</b>	<b>\$0</b>	<b>\$6,600</b>	<b>\$31,564</b>	<b>\$38,164</b>	<b>0.00</b>	<b>\$0</b>	<b>\$32,600</b>	<b>\$30,815</b>	<b>\$63,415</b>
Grand Total All Present Law Adjustments				\$257,585					\$287,062

### LFD COMMENT

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature, and restores approximately \$200,000 personal services expenditures for base positions that were funded in FY 2006 from federal budget amendment funds.

DP 4003 - Animal Health Division Vehicle Replacement RST - The executive budget recommends replacement of a vehicle that is used by livestock investigators to conduct their business. The FY 2009 budget includes a \$26,000 restricted appropriation for this purpose, funded from the livestock per capita fund.

DP 4004 - Federal Funding - Bison - The executive budget includes additional federal authority for the department to receive and spend anticipated increased funding in the 2009 biennium for bison operations and GYIBC research and cooperative efforts.

DP 4005 - Out-of-State Travel - The executive budget adds \$13,200 in the 2009 biennium for increased out-of-state travel for disease control meetings and to maintain staff training and qualifications. This request is funded from the livestock per capita fund.

**Program Proposed Budget**

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	252,561	13,881	0	266,442	14,825	0	267,386	533,828
Operating Expenses	43,757	4,791	0	48,548	4,794	0	48,551	97,099
Equipment	0	26,000	0	26,000	0	0	0	26,000
<b>Total Costs</b>	<b>\$296,318</b>	<b>\$44,672</b>	<b>\$0</b>	<b>\$340,990</b>	<b>\$19,619</b>	<b>\$0</b>	<b>\$315,937</b>	<b>\$656,927</b>
State/Other Special	263,464	44,672	0	308,136	19,619	0	283,083	591,219
Federal Special	32,854	0	0	32,854	0	0	32,854	65,708
<b>Total Funds</b>	<b>\$296,318</b>	<b>\$44,672</b>	<b>\$0</b>	<b>\$340,990</b>	<b>\$19,619</b>	<b>\$0</b>	<b>\$315,937</b>	<b>\$656,927</b>

**Program Description**

The Milk and Egg Inspection program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws is accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

**Program Highlights**

Milk and Egg Program Major Budget Highlights	
♦	The executive recommends budget increases for a replacement vehicle, increased out of state travel, and increased fuel costs
Major LFD Issues	
♦	None

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Milk & Egg Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 263,464	88.9%	\$ 308,136	90.4%	\$ 283,083	89.6%
02427 Animal Health	263,464	88.9%	308,136	90.4%	283,083	89.6%
03000 Total Federal Special Funds	32,854	11.1%	32,854	9.6%	32,854	10.4%
03032 Animal Health Sp. Rev	32,854	11.1%	32,854	9.6%	32,854	10.4%
Grand Total	<u>296,318</u>	<u>100.0%</u>	<u>340,990</u>	<u>100.0%</u>	<u>315,937</u>	<u>100.0%</u>

State special revenue from milk industry fees is the primary funding source for this division. Federal special revenues are provided from the U.S. Department of Agriculture to conduct shell egg surveillance.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----					-----Fiscal 2009-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				24,983						25,966
Vacancy Savings				(11,102)						(11,141)
Inflation/Deflation				540						543
Fixed Costs				1,070						1,070
<b>Total Statewide Present Law Adjustments</b>				<b>\$15,491</b>						<b>\$16,438</b>
DP 5004 - Milk and Egg Bureau Vehicle Replacement RST/OTO	0.00	0	26,000	0	26,000	0.00	0	0	0	0
DP 5005 - Milk & Egg Out of State Travel	0.00	0	3,181	0	3,181	0.00	0	3,181	0	3,181
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$29,181</b>	<b>\$0</b>	<b>\$29,181</b>	<b>0.00</b>	<b>\$0</b>	<b>\$3,181</b>	<b>\$0</b>	<b>\$3,181</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$44,672</b>						<b>\$19,619</b>

**LFD  
COMMENT**

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature.

DP 5004 - Milk and Egg Bureau Vehicle Replacement RST - The executive budget includes \$26,000 in FY 2008 to replace a vehicle used by division sanitarians for traveling to on-site locations to conduct milk and egg inspections for the state. The executive funds this request from milk assessment fees.

DP 5005 - Milk & Egg Out of State Travel - The executive budget adds \$6,362 in the 2009 biennium for increased out-of-state travel for the milk and egg sanitarians to maintain their credentials to perform their work. This decision package is funded with state special revenue from assessments on the milk industry.



**Program Proposed Budget**

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	57.21	0.00	0.00	57.21	0.00	0.00	57.21	57.21
Personal Services	2,312,794	169,389	0	2,482,183	179,718	0	2,492,512	4,974,695
Operating Expenses	308,946	11,535	0	320,481	11,858	0	320,804	641,285
Equipment	35,288	120,712	0	156,000	94,712	0	130,000	286,000
<b>Total Costs</b>	<b>\$2,657,028</b>	<b>\$301,636</b>	<b>\$0</b>	<b>\$2,958,664</b>	<b>\$286,288</b>	<b>\$0</b>	<b>\$2,943,316</b>	<b>\$5,901,980</b>
State/Other Special	2,657,028	301,636	0	2,958,664	286,288	0	2,943,316	5,901,980
<b>Total Funds</b>	<b>\$2,657,028</b>	<b>\$301,636</b>	<b>\$0</b>	<b>\$2,958,664</b>	<b>\$286,288</b>	<b>\$0</b>	<b>\$2,943,316</b>	<b>\$5,901,980</b>

**Program Description**

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and beef inspections.

**Program Highlights**

<b>Brands Enforcement Division Major Budget Highlights</b>	
♦	The executive recommends the purchase of 11 replacement vehicles in the 2009 biennium, requiring an increase of \$215,000 from FY 2006
<b>Major LFD Issues</b>	
♦	None

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Brands Enforcement Divis						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 2,657,028	100.0%	\$ 2,958,664	100.0%	\$ 2,943,316	100.0%
02425 Inspection And Control	1,628,345	61.3%	1,731,100	58.5%	1,741,752	59.2%
02426 Lvstk Per Capita	1,028,683	38.7%	1,227,564	41.5%	1,201,564	40.8%
Grand Total	<u>2,657,028</u>	<u>100.0%</u>	<u>2,958,664</u>	<u>100.0%</u>	<u>2,943,316</u>	<u>100.0%</u>

Brands enforcement activities are funded from new and re-recorded brand fees, local and market inspection fees, livestock dealers license fees, and various other related assessments, all of which are deposited to the inspection and control state special revenue fund. The livestock per capita fund also supports activities in this division.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				191,384					202,145	
Vacancy Savings				(100,164)					(100,596)	
Inflation/Deflation				1,488					1,811	
Fixed Costs				10,047					10,047	
Total Statewide Present Law Adjustments				\$102,755					\$113,407	
DP 6002 - Brand Division Vehicle Replacement RST/OTO										
	0.00	0	120,712	0	120,712	0.00	0	94,712	0	94,712
DP 6003 - Overtime - Brand Enforcement Division										
	0.00	0	78,169	0	78,169	0.00	0	78,169	0	78,169
Total Other Present Law Adjustments										
	0.00	\$0	\$198,881	\$0	\$198,881	0.00	\$0	\$172,881	\$0	\$172,881
Grand Total All Present Law Adjustments				\$301,636					\$286,288	

**LFD COMMENT**

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature and restores personal services expenditures for base positions that were funded in FY 2006 from carry forward funds that are not part of the budget base funding.

DP 6002 - Brand Division Vehicle Replacement RST - The executive recommends replacing 11 of the division’s 18 district investigator vehicles in the 2009 biennium and includes an additional \$215,424 in the 2009 biennium executive budget for this purpose. This decision package is funded in the executive budget from the livestock per capita fund.

DP 6003 - Overtime - Brand Enforcement Division - The executive budget includes the FY 2006 base amount of overtime, \$78,169, each year of the 2009 biennium, funded with the livestock per capita fund.

**Program Proposed Budget**

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	19.50	0.00	1.00	20.50	0.00	1.00	20.50	20.50
Personal Services	728,751	96,344	32,807	857,902	98,816	32,844	860,411	1,718,313
Operating Expenses	279,748	31,836	60,348	371,932	33,382	56,048	369,178	741,110
<b>Total Costs</b>	<b>\$1,008,499</b>	<b>\$128,180</b>	<b>\$93,155</b>	<b>\$1,229,834</b>	<b>\$132,198</b>	<b>\$88,892</b>	<b>\$1,229,589</b>	<b>\$2,459,423</b>
General Fund	479,014	85,088	67,220	631,322	88,096	65,089	632,199	1,263,521
State/Other Special	6,475	0	0	6,475	0	0	6,475	12,950
Federal Special	523,010	43,092	25,935	592,037	44,102	23,803	590,915	1,182,952
<b>Total Funds</b>	<b>\$1,008,499</b>	<b>\$128,180</b>	<b>\$93,155</b>	<b>\$1,229,834</b>	<b>\$132,198</b>	<b>\$88,892</b>	<b>\$1,229,589</b>	<b>\$2,459,423</b>

**Program Description**

The Meat and Poultry Inspection Program was established in 1987 by the Montana Meat and Poultry Inspection Act. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

**Program Highlights**

Meat and Poultry Inspection Program Major Budget Highlights	
♦	The executive replaces declining federal funds with general fund
Major LFD Issues	
♦	General fund would replace declining federal funds

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Meat/Poultry Inspection							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	\$ 479,014	47.5%	\$ 631,322	51.3%	\$ 632,199	51.4%
	01100 General Fund	479,014	47.5%	631,322	51.3%	632,199	51.4%
02000	Total State Special Funds	6,475	0.6%	6,475	0.5%	6,475	0.5%
	02427 Animal Health	6,475	0.6%	6,475	0.5%	6,475	0.5%
03000	Total Federal Special Funds	523,010	51.9%	592,037	48.1%	590,915	48.1%
	03209 Meat/Poultry Inspection Sp Rev	523,010	51.9%	592,037	48.1%	590,915	48.1%
Grand	Total	<u>1,008,499</u>	<u>100.0%</u>	<u>1,229,834</u>	<u>100.0%</u>	<u>1,229,589</u>	<u>100.0%</u>

The majority of meat and poultry inspection program funding is split evenly between federal funds and general fund. Per cooperative agreement with the U.S. Department of Agriculture, state special revenue funds cannot be used as match when they are derived through a fee on the producers being inspected by the program. Since state special revenues are generated from fees on those producers being inspected, the state match is provided by the general fund. A small portion of the program funding is state special revenue derived from annual meat establishment license fees.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					130,724					133,299
Vacancy Savings					(34,380)					(34,483)
Inflation/Deflation					29,905					31,451
Fixed Costs					1,931					1,931
<b>Total Statewide Present Law Adjustments</b>					<b>\$128,180</b>					<b>\$132,198</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$128,180</b>					<b>\$132,198</b>

### New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1009 - Meat Inspection Funding Shortfall										
10	0.00	41,286	0	0	41,286	0.00	41,286	0	0	41,286
DP 1010 - Meat Plant Inspector RST										
10	1.00	22,673	0	22,674	45,347	1.00	20,542	0	20,542	41,084
DP 1011 - FAIM Computer Maintenance Contract										
10	0.00	3,261	0	3,261	6,522	0.00	3,261	0	3,261	6,522
<b>Total</b>	<b>1.00</b>	<b>\$67,220</b>	<b>\$0</b>	<b>\$25,935</b>	<b>\$93,155</b>	<b>1.00</b>	<b>\$65,089</b>	<b>\$0</b>	<b>\$23,803</b>	<b>\$88,892</b>

#### LFD COMMENT

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature and restores salaries and benefits for vacancy savings realized in FY 2006.

DP 1009 - Meat Inspection Funding Shortfall – The executive budget replaces federal funds with general fund due to an anticipated federal fund reduction for federal fiscal years 2006 and 2007. An additional \$41,286 general fund is included in each year of the 2009 biennium for this purpose.

**LFD  
ISSUE**

General Fund proposed to backfill declining federal dollars

The executive budget proposes to increase general fund \$41,286 each year of the 2009 biennium due to an anticipated federal fund reduction. The legislature may wish to ask the department to describe the impact upon the program and the services it delivers if this federal fund decline was not backfilled with general fund.

Two years ago, the department received funds in FY 2005 from the temporary federal funds grant for meat inspectors to replace reduced funds, but did not request replacement funds from the 2005 legislature. The legislature may wish to evaluate the long-term prospects of the federal cooperative funding for this program and options for future funding.

DP 1010 - Meat Plant Inspector RST - The executive budget includes a restricted appropriation for \$86,431 for the employment of an additional meat inspector during the 2009 biennium, if workload increases. This decision package is funded 50 percent from state general fund and 50 percent from federal meat inspection funds.

DP 1011 - FAIM Computer Maintenance Contract (OTO)- The executive budget adds \$13,044 computer maintenance funds for computers purchased with a one-time-only appropriation in the 2007 biennium. This decision package is funded 50 percent from state general fund and 50 percent from federal meat inspection funds.

**LFD  
COMMENT**

If federal meat inspection funds are decreasing, why are DP 1010 and DP 1011 in the executive budget?